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AS AT DECEMBER 31, 2006

December 2006 highlights

- The Québec government achieved a budget surplus of \$1.2 billion in December 2006. For the same period last year, the excess was \$469 million.
 - The difference compared to last year is mainly attributable to growth in own-source revenues of 12.1%, resulting in particular from a rise in the earnings of government enterprises.
- Budgetary revenue amounted to \$6.1 billion, an increase of \$652 million compared to last year.
- Program spending fell by \$63 million compared to last year. This decline results in particular from a change in the payments timetable for transfers to the health network that involves one less payment in December 2006 compared with December 2005.
- Debt service amounted to \$589 million, comparable to the December 2005 amount.

SUMMARY OF CONSOLIDATED BUDGETARY TRANSACTIONS

(millions of dollars)

(Unaudited data)

	December		April to December		February 2007 Budget	
	2005 ¹	2006	2005-2006 ¹	2006-2007	2006-2007	Growth %
BUDGETARY REVENUE						
Own-source revenue	4 668	5 231	33 171	35 615	48 533	6.1
Federal transfers	825	914	7 304	8 200	10 956	9.9
Total	5 493	6 145	40 475	43 815	59 489	6.8
BUDGETARY EXPENDITURE						
Program spending	- 4 459	- 4 396	- 37 264	- 38 983	- 51 519	4.6
Debt service	- 592	- 589	- 5 154	- 5 162	- 6 990	1.7
Total	- 5 051	- 4 985	- 42 418	- 44 145	- 58 509	4.3
NET RESULTS OF CONSOLIDATED ORGANIZATIONS	27	25	386	184	37	—
Deposit in the Generations Fund	—	—	—	—	- 500 ²	—
Allocation to the budgetary reserve	—	—	—	—	- 500 ³	—
CONSOLIDATED BUDGETARY BALANCE FOR THE PURPOSES OF THE BALANCED BUDGET ACT	469	1 185	- 1 557	- 146	17	—
Net results of the Generations Fund ⁴	—	—	—	—	575	—
CONSOLIDATED BUDGETARY BALANCE	469	1 185	- 1 557	- 146	592	—

1 Monthly allocation of financial transactions based on best available data and estimates.

2 The payment was made on February 15, 2007. This transaction will accordingly be recorded in the February 2007 results.

3 The allocation to the budgetary reserve will be made in the March 2007 monthly report.

4 The Generations Fund began operations on January 1, 2007.



MONTHLY REPORT ON FINANCIAL TRANSACTIONS

Cumulative results as at December 31, 2006

Budgetary balance

- ☐ For the period from April to December 2006, the results show a difference of only \$146 million between revenue and expenditure.
- ☐ The budgetary balance has improved by \$1.4 billion compared to the results for the same period last year.
 - This improvement reflects, in particular, Hydro-Québec's additional earnings, including more than \$900 million from asset sales, chiefly the sale of its interest in Transelec Chile.

Budgetary revenue

- ☐ Since the beginning of the year, budgetary revenue amounts to \$43.8 billion, an increase of \$3.3 billion compared to last year.
- ☐ Own-source revenue stands at \$35.6 billion, an increase of \$2.4 billion. Apart from Hydro-Québec's financial results, this improvement is attributable to increased revenue from personal income tax (\$1.0 billion) due, in particular, to the good performance of the labour market and the introduction of the Child Assistance measure.
- ☐ Federal transfers amount to \$8.2 billion for the first nine months of the current fiscal year, an increase of 12.3% over the same period in 2005.

Budgetary expenditure

- ☐ As at December 31, 2006, budgetary expenditure totalled \$44.1 billion.
- ☐ Program spending is up \$1.7 billion (4.6%) compared to the same period last year, which corresponds to the annual growth forecast in the 2007-2008 Budget Speech. The most significant changes are in the health (\$1.0 billion) and education (\$474 million) sectors.
- ☐ Debt service amounts to \$5.2 billion, comparable to last year's amount.

Net financial requirements

- ☐ Despite the improvement of \$1.4 billion in the budgetary balance, net financial requirements are up by \$111 million. This is attributable, in particular, to the fact that Hydro-Québec pays its dividend to the government later in the fiscal year.

MONTHLY REPORT ON FINANCIAL TRANSACTIONS

CONSOLIDATED BUDGETARY AND FINANCIAL TRANSACTIONS

(millions of dollars)

(Unaudited data)

	December			April to December		
	2005 ¹	2006	Changes	2005-2006 ¹	2006-2007	Changes
BUDGETARY REVENUE						
Own-source revenue	4 668	5 231	563	33 171	35 615	2 444
Federal transfers	825	914	89	7 304	8 200	896
Total	5 493	6 145	652	40 475	43 815	3 340
BUDGETARY EXPENDITURE						
Program spending	- 4 459	- 4 396	63	- 37 264	- 38 983	- 1 719
Debt service	- 592	- 589	3	- 5 154	- 5 162	- 8
Total	- 5 051	- 4 985	66	- 42 418	- 44 145	- 1 727
NET RESULTS OF CONSOLIDATED ORGANIZATIONS	27	25	- 2	386	184	- 202
CONSOLIDATED BUDGETARY BALANCE	469	1 185	716	- 1 557	- 146	1 411
Consolidated non-budgetary surplus (requirements)	- 2 035	- 2 544	- 509	- 3 030	- 4 552	- 1 522
CONSOLIDATED NET FINANCIAL SURPLUS (REQUIREMENTS)	- 1 566	- 1 359	207	- 4 587	- 4 698	- 111

MONTHLY REPORT ON FINANCIAL TRANSACTIONS

CONSOLIDATED REVENUE FUND REVENUE

(millions of dollars)

(Unaudited data)

Revenue by source	December			April to December		
	2005	2006	Changes %	2005-2006	2006-2007	Changes %
BUDGETARY REVENUE						
Own-source revenue excluding government enterprises						
Income and property taxes						
Personal income tax	1 998	2 166	8.4	12 106	13 152	8.6
Contributions to Health Services Fund	411	437	6.3	3 742	3 810	1.8
Corporate taxes	282	307	8.9	2 924	2 854	- 2.4
Consumption taxes	1 471	1 528	3.9	9 695	9 873	1.8
Other sources	165	135	- 18.2	1 735	1 699	- 2.1
Total	4 327	4 573	5.7	30 202	31 388	3.9
Revenue from government enterprises	341	658	93.0	2 969	4 227	42.4
Total own-source revenue	4 668	5 231	12.1	33 171	35 615	7.4
Federal transfers						
Equalization	400	467	16.8	3 599	4 139	15.0
Health transfers	254	299	17.7	2 315	2 700	16.6
Transfers for post-secondary education and other social programs	79	86	8.9	731	779	6.6
Other programs	92	62	- 32.6	659	582	- 11.7
Total federal transfers	825	914	10.8	7 304	8 200	12.3
TOTAL BUDGETARY REVENUE	5 493	6 145	11.9	40 475	43 815	8.3

CONSOLIDATED REVENUE FUND EXPENDITURE

(millions of dollars)

(Unaudited data)

Expenditures by mission	December			April to December		
	2005	2006	Changes %	2005-2006	2006-2007	Changes %
BUDGETARY EXPENDITURE						
Program spending						
Health and Social Services	2 007	1 862	- 7.2	15 810	16 769	6.1
Education and Culture	1 288	1 340	4.0	10 114	10 588	4.7
Economy and Environment	467	473	1.3	4 336	4 458	2.8
Support for Individuals and Families	404	426	5.4	3 817	3 853	0.9
Administration and Justice	293	295	0.7	3 187	3 315	4.0
Total program spending	4 459	4 396	- 1.4	37 264	38 983	4.6
Debt service	592	589	- 0.5	5 154	5 162	0.2
TOTAL BUDGETARY EXPENDITURE	5 051	4 985	- 1.3	42 418	44 145	4.1

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